

AMENDED IN ASSEMBLY JUNE 20, 2011

AMENDED IN SENATE APRIL 14, 2011

AMENDED IN SENATE MARCH 24, 2011

SENATE BILL

No. 773

Introduced by Senator Negrete McLeod

February 18, 2011

An act to amend Sections ~~5017.5 and 5094~~ of 5094 and 5094.5 of, to amend and repeal Section 5094.6 of, and to add Section 5094.3 to, the Business and Professions Code, relating to accountants.

LEGISLATIVE COUNSEL'S DIGEST

SB 773, as amended, Negrete McLeod. Accountants.

Existing law provides for the licensure and regulation of accountants by the California Board of Accountancy in the Department of Consumer Affairs. Existing law requires an applicant for an accountancy license to complete a minimum of 24 semester units in accounting subjects and a minimum of 24 semester units in business-related subjects, or as calculated in quarter units. Existing law, on and after January 1, 2014, requires an applicant for an accountancy license to complete an additional 10 units in ethics study and 20 units in accounting study, and establishes a committee to recommend to the board ethics study guidelines, to be adopted by the board by regulation.

This bill would set forth the ethics study requirements that, on and after January 1, 2014, would apply to an applicant for an accountancy license, as specified. The bill would make conforming changes to related provisions and delete the requirement that the board adopt these provisions by regulation.

Existing law provides for the licensure and regulation of accountants by the California Board of Accountancy in the Department of Consumer Affairs. Existing law requires the board to provide a live audio or video broadcast on its Internet Web site of each of its board meetings that are open and public.

~~This bill would instead require the board to provide live video broadcasts of those meetings.~~

Existing law creates the Advisory Committee on Accounting Ethics Curriculum and authorizes that committee to determine that a course or a portion of a course of accounting education satisfies the ethics study requirement of 20 units.

~~This bill would make a conforming change to that provision.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 5094 of the Business and Professions
2 Code is amended to read:

3 5094. (a) In order for education to be qualifying, it shall meet
4 the standards described in subdivision (b) or (c) of this section.

5 (b) At a minimum, education must be from a degree-granting
6 university, college, or other institution of learning accredited by
7 a regional or national accrediting agency included in a list of these
8 agencies published by the United States Secretary of Education
9 under the requirements of the Higher Education Act of 1965 as
10 amended (20 U.S.C. Sec. 1001, et seq.) and, after January 1, 2014,
11 shall also, at minimum, include 10 units of ethics study consistent
12 with the regulations promulgated pursuant to subdivision (b) of
13 requirements set forth in Section 5094.6 5094.3 and 20 units of
14 accounting study consistent with the regulations promulgated under
15 subdivision (c) of Section 5094.6. The Accounting Education
16 Advisory Committee established under Section 5094.5 may
17 determine that a course or a portion of a course satisfies the ethics
18 study requirement. Nothing herein shall be deemed inconsistent
19 with prevailing academic practice regarding the completion of
20 units.

21 (c) Education from a college, university, or other institution of
22 learning located outside the United States may be qualifying
23 provided it is deemed by the board to be equivalent to education

obtained under subdivision (b). The board may require an applicant to submit documentation of his or her education to a credential evaluation service approved by the board for evaluation and to cause the results of this evaluation to be reported to the board in order to assess educational equivalency.

(d) The board shall adopt regulations specifying the criteria and procedures for approval of credential evaluation services. These regulations shall, at a minimum, require that the credential evaluation service (1) furnish evaluations directly to the board, (2) furnish evaluations written in English, (3) be a member of the American Association of Collegiate Registrars and Admission Officers, the National Association of Foreign Student Affairs, or the National Association of Credential Evaluation Services, (4) be used by accredited colleges and universities, (5) be reevaluated by the board every five years, (6) maintain a complete set of reference materials as specified by the board, (7) base evaluations only upon authentic, original transcripts and degrees and have a written procedure for identifying fraudulent transcripts, (8) include in the evaluation report, for each degree held by the applicant, the equivalent degree offered in the United States, the date the degree was granted, the institution granting the degree, an English translation of the course titles, and the semester unit equivalence for each of the courses, (9) have an appeal procedure for applicants, and (10) furnish the board with information concerning the credential evaluation service that includes biographical information on evaluators and translators, three letters of references from public or private agencies, statistical information on the number of applications processed annually for the past five years, and any additional information the board may require in order to ascertain that the credential evaluation service meets the standards set forth in this subdivision and in any regulations adopted by the board.

SEC. 2. Section 5094.3 is added to the Business and Professions Code, to read:

5094.3. (a) In addition to completing the minimum of 24 semester units in accounting subjects and 24 semester units in business-related subjects, as set forth in subdivisions (b) and (c) of Section 9.2 of Article 2 of Division 1 of Title 16 of the California Code of Regulations, an applicant applying for licensure as a certified public accountant shall, to the satisfaction of the board, provide documentation of the completion of an additional 20

1 semester units of accounting study and 10 semester units or 15
2 quarter units of ethics study, as set forth in Section 5094.

3 (b) Satisfactory evidence as to educational qualifications shall
4 take the form of certified transcripts of the applicant's college
5 record, mailed directly to the board from the educational
6 institution; however, in unusual circumstances the board may
7 accept such other evidence as it deems appropriate and reasonably
8 conclusive. For foreign education, in addition to certified
9 transcripts of the applicant's college record, satisfactory evidence
10 shall usually take the form of an evaluation of educational
11 credentials by a credentials evaluation service approved by the
12 board.

13 (c) For purposes of this section, one quarter unit is equivalent
14 to two-thirds of one semester unit.

15 (d) On and after January 1, 2014, and until January 1, 2017,
16 the 10 semester units or 15 quarter units of ethics study required
17 pursuant to subdivision (a) shall be completed from the list of
18 course areas set forth in paragraph (2) of subdivision (e).

19 (e) On and after January 1, 2017, three of the 10 semester units
20 or four of the 15 quarter units of ethics study required pursuant
21 to subdivision (a) shall be met in a course or courses at an upper
22 division level or higher course study devoted to accounting ethics
23 or accountants professional responsibilities. The remaining seven
24 semester units or 11 quarter units shall be completed from the list
25 of disciplines and courses in paragraphs (1) and (2), with no more
26 than three semester units or four quarter units from paragraph
27 (1).

28 (1) (A) No more than three semester units or four quarter units
29 shall be from the following disciplines:

30 (i) Philosophy.

31 (ii) Religion.

32 (iii) Theology.

33 (iv) Sociology.

34 (v) Psychology.

35 (vi) Cultural, ethnic, or diversity studies.

36 (vii) Economics.

37 (viii) Political science.

38 (B) Courses in these disciplines shall have as its course title the
39 name of the discipline or shall, at a minimum, include the following
40 words or terms in the course title in addition to the name of the

1 *discipline: “Introduction,” “Introductory,” “General,”*
2 *“Fundamentals of,” “Principles,” “Foundation of,” or “Survey*
3 *of.”*

4 *(2) Between seven and 10 semester units or between 11 and 14*
5 *quarter units shall be from the following course areas:*

6 *(A) Business law.*

7 *(B) Legal environment of business.*

8 *(C) Accounting ethics or accountant’s professional*
9 *responsibilities.*

10 *(D) Corporate governance.*

11 *(E) Ethics, morals, or fraud.*

12 *(F) Organizational behavior.*

13 *(G) Human resources management.*

14 *(H) Management of organizations.*

15 *(I) Business, government, and society.*

16 *(J) Business leadership.*

17 *(K) Nonaccounting courses specific to professional*
18 *responsibilities.*

19 *(f) Notwithstanding subdivision (e), applicants may obtain credit*
20 *for a maximum of one semester unit of ethics study for completion*
21 *of a course specific to financial statement audits.*

22 *SEC. 3. Section 5094.5 of the Business and Professions Code*
23 *is amended to read:*

24 *5094.5. (a) There is hereby created within the jurisdiction of*
25 *the board the Advisory Committee on Accounting Ethics*
26 *Curriculum. For purposes of this section, “committee” means the*
27 *advisory committee established under this section.*

28 *(b) The committee shall consist of the following 11 members:*

29 *(1) One member appointed by the California Public Employees*
30 *Retirement System.*

31 *(2) Two members appointed by the Regents of the University*
32 *of California. These members shall be professors of business ethics*
33 *or accounting who have published works on the desirability and*
34 *potential contents of accounting ethics education.*

35 *(3) Two members appointed by the California State University*
36 *Board of Trustees. These members shall be professors of business*
37 *ethics or accounting who have published works on the desirability*
38 *and potential contents of accounting ethics education.*

39 *(4) Two members representing the California Community*
40 *Colleges appointed by the Board of Governors of the California*

1 Community Colleges. These members shall be instructors of
2 business ethics or accounting.

3 (5) The Senate Committee on Rules, the Speaker of the
4 Assembly, and the board shall each appoint one member. The
5 members appointed by the Senate Committee on Rules and the
6 Speaker of the Assembly shall be from organized labor or consumer
7 advocacy organizations.

8 (6) The Governor shall appoint one California certified public
9 accountant in public practice from a list provided by the California
10 Society of Certified Public Accountants.

11 (c) The term of a member of the committee shall be at the
12 pleasure of the appointing authority.

13 (d) The committee shall be subject to the Bagley-Keene Open
14 Meeting Act (Article 9 (commencing with Section 11120) of
15 Chapter 1 of Part 1 of Division 3 of Title 2 of the Government
16 Code).

17 (e) ~~(1)~~ This section shall become inoperative on the later of the
18 following:

19 ~~(A)~~

20 ~~(1)~~ January 1, 2014.

21 ~~(B)~~

22 (2) The day following the date on which the committee issues
23 the final report required under subdivision (b) of Section 5094.6.

24 ~~(2) This section shall be repealed on the later of the following:~~

25 ~~(A) January 1, 2014.~~

26 ~~(B) January 1 following the date described in subparagraph (B)~~
27 ~~of paragraph (1).~~

28 (f) *This section shall remain in effect only until January 1, 2014,*
29 *and as of that date is repealed, unless a later enacted statute, that*
30 *is enacted before January 1, 2014, deletes or extends that date.*

31 SEC. 4. Section 5094.6 of the Business and Professions Code
32 is amended to read:

33 5094.6. (a) No later than June 1, 2012, the committee shall
34 recommend to the board ethics study guidelines consisting of no
35 less than 10 semester units to be included as a part of the education
36 required under Section 5093. Ethics study may consist of academic
37 courses, portions of courses, or independent study offered by
38 degree-granting universities, colleges, or other institutions of
39 learning accredited by a regional or national accrediting agency.

1 Nothing herein shall be deemed inconsistent with prevailing
2 academic practice regarding completion of units.

3 (b) No later than January 31, 2013, the board shall adopt, ~~by~~
4 ~~regulation~~, the ethics study recommendations made by the
5 committee pursuant to subdivision (a) without substantive changes.
6 ~~The committee shall issue a report during the public comment~~
7 ~~period and, no later than 30 days after the regulations are final,~~
8 ~~shall offer an opinion as to whether the regulations will implement~~
9 ~~its recommendations.~~

10 (c) The board shall, no later than January 1, 2012, by regulation,
11 adopt guidelines for accounting study to be included as part of the
12 education required under Section 5093. In promulgating these
13 regulations, the board shall consider the views of the Accounting
14 Education Advisory Committee established under Section 5094.7.

15 (d) No later than six months following the issuance of the report
16 by the California Research Bureau regarding the Uniform
17 Accountancy Act's 150-hour rule, the board shall hold a hearing
18 on the report. At the hearing, the board shall make
19 recommendations, based on that report, to the National Association
20 of State Boards of Accountancy and the American Institute of
21 Certified Public Accountants for ensuring the relevancy of
22 accountancy education to the modern practice of accounting and
23 shall approve a plan for the board to seek the adoption of those
24 recommendations and any others the board may recommend related
25 to enforcement and Internet disclosure.

26 (e) For purposes of this section, the following definitions shall
27 apply:

28 (1) Except as provided in subdivision (c), "committee" means
29 the Advisory Committee on Accounting Ethics Curriculum
30 established under Section 5094.5.

31 (2) "Ethics study guidelines" means the guidelines for the study
32 of ethics adopted for California by the committee and the board
33 consisting of a program of learning that provides students with a
34 framework of ethical reasoning, professional values, and attitudes
35 for exercising professional skepticism and other behavior that is
36 in the best interest of the investing and consuming public and the
37 profession. At minimum, it includes academic work or independent
38 study and shall include a foundation for ethical reasoning and the
39 core values of integrity, objectivity, and independence consistent
40 with the International Education Standards-4 of the International

1 Accountants Education Standards Board, the International
2 Federation of Accountants Code of Ethics, and the American
3 Institute of Certified Public Accountants Code of Professional
4 Conduct.

5 (3) “Accounting study” means independent study or other
6 academic work in accounting, business, ethics, business law, or
7 other academic work relevant to accounting and business, so as to
8 enhance the competency of students as practitioners.

9 (f) *This section shall remain in effect only until January 1, 2014,*
10 *and as of that date is repealed, unless a later enacted statute, that*
11 *is enacted before January 1, 2014, deletes or extends that date.*

12 ~~SECTION 1. Section 5017.5 of the Business and Professions~~
13 ~~Code is amended to read:~~

14 ~~5017.5. (a) The board shall provide a live video broadcast, on~~
15 ~~its Internet Web site, of each of its board meetings that are open~~
16 ~~and public.~~

17 ~~(b) (1) If technical failure prevents the board from providing a~~
18 ~~live broadcast as specified in subdivision (a), that failure shall not~~
19 ~~constitute a violation of this section if the board exercised~~
20 ~~reasonable diligence in providing a live broadcast.~~

21 ~~(2) Failure to provide a live broadcast of its board meetings due~~
22 ~~to technical failure shall not prohibit the board from meeting and~~
23 ~~taking actions.~~

24 ~~(c) The recording of the live video broadcast shall remain on~~
25 ~~the Internet Web site for at least three years. Providing a link on~~
26 ~~the Internet Web site to the recording of the live video broadcast~~
27 ~~shall satisfy this requirement.~~

28 ~~SEC. 2. Section 5094 of the Business and Professions Code is~~
29 ~~amended to read:~~

30 ~~5094. (a) In order for education to be qualifying, it shall meet~~
31 ~~the standards described in subdivision (b) or (c) of this section.~~

32 ~~(b) At a minimum, education must be from a degree-granting~~
33 ~~university, college, or other institution of learning accredited by~~
34 ~~a regional or national accrediting agency included in a list of these~~
35 ~~agencies published by the United States Secretary of Education~~
36 ~~under the requirements of the Higher Education Act of 1965 as~~
37 ~~amended (20 U.S.C. Sec. 1001, et seq.) and, after January 1, 2014,~~
38 ~~shall also, at minimum, include 10 units of ethics study consistent~~
39 ~~with the regulations promulgated pursuant to subdivision (b) of~~
40 ~~Section 5094.6 and 20 units of accounting study consistent with~~

1 the regulations promulgated under subdivision (c) of Section
2 5094.6. The Advisory Committee on Accounting Ethics Curriculum
3 established under Section 5094.5 may determine that a course or
4 a portion of a course satisfies the ethics study requirement. Nothing
5 herein shall be deemed inconsistent with prevailing academic
6 practice regarding the completion of units.

7 (e) Education from a college, university, or other institution of
8 learning located outside the United States may be qualifying
9 provided it is deemed by the board to be equivalent to education
10 obtained under subdivision (b). The board may require an applicant
11 to submit documentation of his or her education to a credential
12 evaluation service approved by the board for evaluation and to
13 cause the results of this evaluation to be reported to the board in
14 order to assess educational equivalency.

15 (d) The board shall adopt regulations specifying the criteria and
16 procedures for approval of credential evaluation services. These
17 regulations shall, at a minimum, require that the credential
18 evaluation service (1) furnish evaluations directly to the board, (2)
19 furnish evaluations written in English, (3) be a member of the
20 American Association of Collegiate Registrars and Admission
21 Officers, the National Association of Foreign Student Affairs, or
22 the National Association of Credential Evaluation Services, (4) be
23 used by accredited colleges and universities, (5) be reevaluated by
24 the board every five years, (6) maintain a complete set of reference
25 materials as specified by the board, (7) base evaluations only upon
26 authentic, original transcripts and degrees and have a written
27 procedure for identifying fraudulent transcripts, (8) include in the
28 evaluation report, for each degree held by the applicant, the
29 equivalent degree offered in the United States, the date the degree
30 was granted, the institution granting the degree, an English
31 translation of the course titles, and the semester unit equivalency
32 for each of the courses, (9) have an appeal procedure for applicants,
33 and (10) furnish the board with information concerning the
34 credential evaluation service that includes biographical information
35 on evaluators and translators, three letters of references from public
36 or private agencies, statistical information on the number of
37 applications processed annually for the past five years, and any
38 additional information the board may require in order to ascertain

- 1 ~~that the credential evaluation service meets the standards set forth~~
- 2 ~~in this subdivision and in any regulations adopted by the board.~~

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